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No. 587

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1962

MUSKEGON PISTON RING COMPANY,
Petitioner,

vs.

ERNEST R. OLSEN and
NATIONAL PISTON RING COMPANY,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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The petitioner, Muskegon Piston Ring Company, prays that a writ of certiorari issue to the United States Court of Appeals for the Sixth Circuit to review the decision and judgment of that Court in this action.

The order of the District Court for the Western District of Michigan dismissing the complaint, as one not arising under the patent laws, is not officially reported.

The affirmance of the dismissal by the Court of Appeals for the Sixth Circuit (Judge Cecil) is reported at 307 F 2d 85 and constitutes the appendix of this petition.

The judgment of the Court of Appeals was entered August 17, 1962.

JURISDICTION

The jurisdiction of this Court is invoked under Section 1254(1), Title 28 *U. S. C.* The jurisdiction of the District Court is based upon Section 1338 (a) and (b), Title 28 *U. S. C.*

STATEMENT OF QUESTION

Petitioner, holder of a United States patent, sought a Declaratory Judgment, under Section 2201, Title 28 *U. S. C.* that petitioner's assignors and not respondents were the original inventors of the invention covered by the patent, together with injunctive relief to assure peaceable enjoyment of the patent and to forbid related acts of unfair competition by respondents.

The Court below, in a divided opinion, sustained dismissal of petitioner's complaint for want of jurisdiction on the ground that the case did not arise under the patent laws inasmuch as the question of inventorship alone was raised and the respondent had not infringed the patent.

The question presented is:

Where there is an actual and substantial controversy between the parties as to priority of invention — an indispensable statutory element of patent validity, is a patentee foreclosed from obtaining declaratory relief on the ground that the controversy does not involve a federal question arising under the patent laws?

THE STATUTORY PROVISIONS INVOLVED

The following provisions are contained in the Act establishing Judiciary and Judicial Procedure (Act June 25, 1948, c 646; 62 Stat. 931):

Title 28 *U. S. C.* Section 1338 —

> "(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases."
>
> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copywright, patent or trademark laws."

Title 28 *U. S. C.*, Section 2201 —

"In a case of actual controversy within its jurisdiction • • • any court of the United States • • • may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."

The following provisions are contained in the Patent Act of July 19, 1952 (*Public Law* 593, 82d Cong. 2d Sess., Ch 950; 66 Stat. 792):

Title 35 *U. S. C.*, Section 102(f) and (g):

"A person shall be entitled to patent unless • • •

"(f) he did not himself invent the subject matter sought to be patented, or

"(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other."

Title 35 *U. S. C.*, Section 146:

"Any party to an interference dissatisfied with the decision of the board of patent interferences on the question of priority, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in Section 141 of this title, unless he has appealed to the United States Court of Customs and Patent Appeals, and such appeal is pending or has been decided. In such suits the record in the Patent Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony

and exhibits of the record in the Patent Office when admitted shall have the same effect as if originally taken and produced in the suit."

• • •

STATEMENT OF CASE

Petitioner seeks review of the decision of the Court of Appeals for the Sixth Circuit which affirmed the District Court's dismissal of petitioner's complaint on the ground that the District Court lacked jurisdiction. The merits of the complaint have never been tried.

The District Court held that the patent having been conceded to contain invention, there is no denial of validity, only a question of priority of invention based upon alleged fraud and therefore it had no jurisdiction because the question did not arise under the patent laws. (Joint Appendix p. 13a).

The majority of the Court of Appeals held that there being no claim that the patent is invalid for lack of invention and no question of infringement, respondents have no potential claim against petitioner. Therefore, there is no controversy arising under the patent laws which would confer jurisdiction to the District Court.

The dissenting opinion held that the respondent, having asserted that the applicant for petitioner's patent is not the inventor, is asserting the patent's invalidity, and the core of petitioner's complaint is to have the question of validity resolved. Thus, this is a question arising under the patent laws and there being a continuing threat to petitioner's patent, this cause may be properly tried under the Declaratory Judgment Act.

Petitioner is the owner by assignment of United States Patent No. 2,798,779 issued July 9, 1957 covering a certain type of piston ring. Respondent on May 9, 1957 filed an application for a patent Serial No. 658,040, and on or about July 10, 1958 filed an amendment with the Patent Office copying the claims of petitioner's patent and requesting an interference. On October 20, 1958 the interference was instituted at the Patent Office as Interference No. 89,729. This Interference proceeded through the Patent Office to a decision, rendered April 6, 1962, holding that peti-

tioner's assignors were the actual inventors and awarding them priority of invention.[1]

While Interference No. 89,729 was proceeding through the Patent Office, respondent Olsen made repeated public statements disparaging petitioner's patent and threatening petitioner and petitioner's customers for pistons rings made under the patent with liability in large amount for making, buying and using these rings. To settle the issue of inventorship and obtain an injunction against these acts of unfair competition, petitioner filed a complaint for declaratory relief in the District Court. Respondent then filed an action against petitioner at common law for damages in the Circuit Court for Muskegon County, Michigan, and moved in the District Court for dismissal of petitioner's complaint on the ground of lack of jurisdiction. The Circuit Court for Muskegon County, on petitioner's motion, stayed the state court action pending the decision by the District Court on the question of jurisdiction.[2]

Respondent, on July 6, 1962, filed complaint under Section 146, Title 35 *U. S. C.* in the same District Court in which this action was initiated, based upon the matter which had been before the Board of Interferences with allegations parallel in many instances to his complaint in the Circuit Court of Muskegon County, Michigan.[3]

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[1]This decision was brought to the attention of the Court of Appeals during the oral argument on April 10, 1962.

[2]Following the District Court's decision, a pretrial conference has been held but the case has not yet been set for trial on the merits.

[3]Civil action No. 4326 entitled Ernest R. Olsen vs. Allen E. Swartz, Douglas W. Hamm and Muskegon Piston Ring Company. Service of a copy of the Complaint on petitioner was made on July 17, 1962.

REASONS FOR GRANTING THE WRIT

Petitioner is an owner of a United States patent. Petitioner filed a complaint in a federal District Court requesting "the Court to declare that plaintiff's assignors are the original and only inventors of invention disclosed in patent number 2,798,779" (Joint App. p. 3a) and for other relief from acts of unfair competition by respondent which acts are based upon respondent's claim that he, not petitioner's assignors, is the original and only inventor of the patented invention.

The District Court and the Court of Appeals below, by a divided decision, have held that this complaint requesting declaratory relief did not allege a claim cognizable in a federal court. Not only is this decision manifestly erroneous; it constitutes a substantial and significant curtailment of the rights intended by Congress to accrue to the holder of a patent.

The law of this case in its present posture misconstrues the "arising under" jurisdiction of District Courts which not only governs federal jurisdiction in patent cases (28 *U. S. C.* § 1338(a)), but in all "federal question" complaints encompassed under 28 *U. S. C.* § 1331.

The majority of the Court below fell into error in making infringement *an essential element* of a controversy "arising under" the Patent Statute. It, in effect, held that validity *must* be coupled with infringement to create a federal question. Infringement and validity are each separate, independent issues arising under the Patent Act, each independently raising a question giving jurisdiction to the district courts. This is the point of departure between the majority and dissenting opinions. It is the essential point of conflict with other Courts of Appeal, as expressed in *Welch vs. Grindle,* 251 F. 2d 671 (C. A. 9, 1957) and *Talbot vs. Quaker-State Oil Refining Co.,* 104 F. 2d 967 (C. A. 3. 1939).

The findings of the Court of Appeals that "* * * there is no claim that the patent is invalid for lack of invention" (App. 4a) mis-states the issue inasmuch as this is only *one of several* grounds upon which the validity of a patent can be challenged. The statement that "* * * the validity

of plaintiff's patent is not jeopardized'" (App. 4a) is erroneous.

It is settled law that a patent granted on an application of a person other than the inventor is invalid. *John P. Kennedy vs. Hazelton*, 128 U.S. 667 (1888). The dissenting opinion of the court below recognized this (App. 7a) in quoting *Cummings vs. Moore*, 202 F. 2d 145, 147 (C. A. 10, 1953):

> "It is essential to the *validity* of a patent that it be issued upon the application of the one who is the original inventor."

Furthermore, the decision is at sharp variance with the liberality with which this Court, and the federal courts in general, have construed the declaratory judgment procedure. More specifically, the decision conflicts with other decisions in the Courts of Appeals which have recognized the federal jurisdiction attending analogous patent proceedings. The precise question involved has not yet been authoritatively determined by this Court, and if the judgment below is left to stand unchallenged, it will engender confusion and an unauthorized curtailment of jurisdiction in the lower federal courts.

Congress entrusted to the exclusive jurisdiction of the federal courts cases arising under Acts of Congress relating to patents. 28 *U. S. C.* § 1338(a). The significance of the fact that this jurisdiction was exclusive in nature cannot be gainsaid; Congress recognized the peculiarly technical and involved questions attending patent litigation, and determined that the federal courts alone were competent to determine causes of action arising under the patent laws.

The traditional cause of action which protects a patentee from dilution of his federally-granted property right is a suit for infringement against an unauthorized manufacture or use of the patented product. *Tilghman vs. Proctor*, 102 U. S. 707 (1880); *Universal Oil Products Company vs. Globe Oil and Refining Company*, 322 U. S. 471 (1944). Prior to the enactment of the Declaratory Judgment Act, however, the alleged infringer was at substantial disadvantage. Threatened with suit and with loss of customers, he had no coercive action available with which he could

test the validity of the patentee's claim. *Altvater vs. Freeman*, 319 U. S. 359 (1943). The declaratory judgment procedure equalized the competitive posture of patent disputes. The alleged infringer could now sue for a declaration of noninfringement, and for an injunction preventing the patentee from pressing his threatened claim. While recognizing that "the Declaratory Judgment Act has not added to the jurisdiction of the federal courts," *Mississippi Power and Light Co. vs. City of Jackson*, 116 F. 2d 924, 925 (C. A. 5, 1941), cert. den. 312 U. S. 698, the Courts of Appeals recognized that the purpose of the Act was to allow a settlement of disputes before a violation of rights had taken place. *E. g., Treemond vs. Schering Corp.*, 122 F. 2d 702 (C. A. 3, 1941); *Ohio Casualty Ins. Co. vs. Marr*, 98 F. 2d 973 (C. A. 10, 1938); *Mutual Life Ins. Co. vs. Moyle*, 116 F. 2d 434 (C. A. 4, 1940).

Recognizing that the requisite degree of adversity was present to constitute a justiciable controversy, the Courts faced the further question whether declaratory actions brought by potential infringers threatened with suit were causes of action "arising under" the patent laws. The courts, with little variation, looked to the nature of the coercive plaintiff's claim; if it constituted a claim arising under the patent laws, there was federal jurisdiction to hear a declaratory action seeking to dispose of such claim. *E. Edelmann and Co. vs. Triple-A Specialty Co.*, 88 F. 2d 852, 854 (C. A. 7, 1937).

> "But the controversy between the parties as to whether a patent is valid, and whether infringement exists is *in either instance* essentially one arising under the patent laws of the United States." (Emphasis added).

See also *Talbot vs. Quaker-State Oil Refining Co.*, 104 F. 2d 967, 968 (C. A. 3, 1939); *Grip Nut Co. vs. Sharp*, 124 F. 2d 814, 815 (C. A. 7, 1941).

It was further recognized that the alleged infringer need not be actually engaged in manufacture or use of the product in question in order to have standing to bring the declaratory action. It is only necessary that a party threatened by a patent prove a definite *intention* to engage

in the alleged infringement in order to entitle him to declaratory relief. *Crowell vs. Baker Oil Tools, Inc.*, 143 F. 2d 1003 (C. A. 9, 1944).[4]

Petitioner here sought a declaration of the validity of his federally protected patent right. Its allegations that respondent threatened both it and its customers with suit for utilizing the patent conferred on it by federal law constituted a direct threat to its financial health and a marked dilution of its patent rights.

There is no dispute about respondent's interests; he was at the time of suit seeking a declaration of interference between his patent application and petitioner's patent on the ground that he was the inventor of petitioner's patent. His obvious aim was to invalidate petitioner's patent, and to have a similar patent granted to him. Although the cases leave little doubt that respondent, alleging intention to manufacture the piston rings covered by the patent, could have brought an action declaring petitioner's patent unenforceable because granted to one other than the actual inventor, the decision below holds that a federal court is powerless to provide a remedy for petitioner whose conferred right is being positively and presently damaged by respondent's acts.

The courts below did not leave petitioner in this position of impotence because of any doubts as to adversity, or justiciability, of his claim. The District Court expressly stated that "there is no question but what a cause of action is stated" and that "there is a controversy which should be decided." (Joint Appendix, p. 15a). Stated otherwise, there was no question raised by either court below that the parties' proposed conduct was not sufficiently definite to comprise a claim based upon the Declaratory Judgment Act. The sole ground for dismissal relied upon by both courts was that petitioner's claim did not "arise" under the federal patent law.

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[4]As an illustration of the misconception under which the District Judge based his opinion, he assumed that "a charge of infringement is not sufficient to place jurisdiction in the district Court. * * *" (Joint Appendix, p. 16a).

The illogic of this position is obvious. Petitioner, had respondent infringed his patent, could have brought a classic case of infringement which would have arisen under the patent laws. Respondent, without entering into manufacture or use of the product, could have brought a declaratory action adjudicating either his non-infringement of petitioner's patent or its invalidity, either of which also would have arisen under the patent laws. Yet petitioner's complaint to have his patent declared valid against respondent's claims of invalidity — a complaint that concededly stated a cause of action and was justiciable under the Declaratory Judgment Act — is held not to arise under the patent laws.

Prior to the advent of the declaratory judgment device, petitioner concededly could have brought an action for infringement, arising under the patent law, had respondent engaged in the manufacture or use of the piston rings. It seems wholly obvious that the effect and intent of the Declaratory Judgment Act was to allow petitioner to sue for relief before the potential infringement in fact took place, providing that there was a sufficiently definite threat to petitioner's enjoyment of his patent. Surely one suit "arises under" the patent law to the precisely same extent as the other. Both are grounded upon petitioner's claim to a patent granted him under federal law which is being jeopardized by action or a threatened course of conduct.

The importance of this restrictive interpretation of 28 *U. S. C.* § 1338 is readily apparent. Patentees, if this decision is allowed to go unchallenged, are deprived of the exclusive jurisdiction of the federal courts which Congress enacted for the purpose of adjudicating patent questions, at any time prior to that when the party contesting the validity of the patent actually engaged in manufacture, use or sale. Petitioner's business may be destroyed and its patent rendered worthless by respondent's threats of suit, suits and allegations of invalidity based on his claim of invention, yet petitioner cannot receive the aid of a federal court to declare the validity of its federally granted right, on the ground that its claim is not based on the patent law. This issue, arising in an area of exclusive

federal jurisdiction, manifestly merits attention and resolution by this Honorable Court.

Aside from the intrinsic importance of the issue, the decision below is not reconcilable with those cases, cited above, which hold that one who intends to manufacture or use a product allegedly covered by an existing patent may sue for declaratory relief, which arises under the patent law. *E. Edelmann and Co. vs. Triple-A Specialty Co.*, 88 F. 2d 852, 854 (C. A. 7, 1937); *Grip Nut Co. vs. Sharp*, 124 F. 2d 814, 815 (C. A. 7, 1941); *Talbot vs. Quaker-State Oil Refining Co.*, 104 F. 2d 967, 968 (C. A. 3, 1939). The rationale of those cases was that no matter who sues whom, the question is "in either instance essentially one arising under the patent laws of the United States." *E. Edelman & Co. vs. Triple-A Specialty Co.*, 88 F. 2d 852, 854 (C. A. 7, 1937).

The decision below is in direct conflict with the decision of the Ninth Circuit in *Welch vs. Grindle*, 251 F. 2d 671, 678 (C. A. 9, 1957). There, the Court of Appeals stated:

> "The courts have repeatedly held that actual manufacture, use or sale is not essential and that it is sufficient that the party charged is about to infringe *or take some action which is prejudicial to the interest of the patentee* • • •." (Emphasis added).

No more precise statement of the posture of the present case can be made, and yet the Court of Appeals for the Sixth Circuit has held that petitioner's claim is not cognizable under federal law.

The reliance of the Court below on *American Well Works Co. vs. Layne & Bowler Co.*, 241 U.S. 257 (1916) is misplaced. There, a manufacturer sued a patentee for damages arising from the patentee's threats, suits, and slander against the manufacturer's product as being an infringement of the patent. The Supreme Court held that such a claim did not arise under the patent laws, but constituted a state cause of action in tort. This decision, handed down in 1916, *preceded* the Declaratory Judgment Act by nearly twenty years. There is no doubt today that, in similar circumstances, a potential infringer can sue a patentee who threatens suit for a declaration of noninfringement. *E.g. E. Edelmann and Co. vs. Triple-A Specialty Co.*, 88

F. 2d 852, 854 (C. A. 7, 1937). Thus, not only is *American Well Works* inapposite on its facts, since it concerned a suit by an asserted infringer against a patentee, but any implications of the decision as to ripeness of a controversy have been vitiated since the enactment of the Declaratory Judgment Act, as the Courts of Appeals have recognized. Thus, although the holding that a suit for damages in tort does not arise under federal law is unimpaired, there is no doubt today that a federal court may adjudicate the patent rights of parties seeking a declaratory relief in situations factually identical to those in the *American Well Works* case.

The decision, if allowed to stand, can become precedent for a line of decisions restricting the Declaratory Judgment Act which will ultimately have to be corrected by this Court. Delay in correcting the decision can result in great injustice to a large class of future litigants. This decision denies the public access to the Declaratory Judgment Act as a means of challenging the validity of a patent unless they first qualify themselves as infringers. It leaves all patentees without proper legal remedy against those who, without at the same time infringing the patent, attack their rights to the patent on the ground that the patent was not legally issued. It defeats the public purpose of having patent rights determined quickly and in an orderly manner. It ignores "* * * the public interest which is dominant in the patent system." *Mercoid Corporation vs. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944).

The Court of Appeal's decision forces the patentee to defend his patent piece-meal at the mercy of his adversary. This is the kind of harassment modern jurisprudence is designed to prevent. Here, petitioner is being forced to try the same basic factual issue in (1) the interference proceeding, (2) in the state court suit, and (3) in respondent's suit for *de novo* determination of the interference proceeding under 35 *U. S. C.* 146.

The section 146 action does not in any way lessen the petitioner's exposure to legal harassment nor does it lessen the adverse impact of the Court of Appeal's decision.

The state court action, having been filed long prior to the appeal under section 146, will be tried and de-

cided first, in all reasonable probability, with the distinct possibility of diametrically conflicting decisions on the basic issue. Under such circumstances, the Federal Statutes and decisions create uncertainty as to the District Court's power to interfere with the proceedings in the state court. Thus, petitioner has no place to turn to end the harassment, unless jurisdiction of the federal courts is found in this case.

CONCLUSION

For the reasons stated above, petitioner respectfully requests this Honorable Court to grant the Petition for a Writ of Certiorari to issue to the Court of Appeals for the Sixth Circuit in order to review this important question of federal jurisdiction under the patent laws.

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